

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6232

INFO AMEMBASSHBONN

AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS: ETRN, UK

SUBJECT: CIVAIR - NORTH ATLANTIC CARGO RATES

REF: LONDON 13985

1. AS FOLLOW-UP TO OUR APPROACH TO COLEGATE (CAA) AND ROGERS (DTI) ON NORTH ATLANTIC CARGO RATES (REFTEL), WE DISCUSSED PROBLEM WITH GEORGE BONNEY, CAA RATE EXPERT, WHEN HE RETURNED FROM ECAC MEETING OF RATES AND FARES SPECIALISTS. BONNEY SAID HE UNDERSTOOD COMPLETELY CAB'S RATIONALE FOR REJECTION OF IATA MEXICO CITY RATE FORMULA AND THAT HE HAD CONSIDERABLE SYMPATHY FOR CAB POSITION. HOWEVER, HE SAID, PROBLEM WAS NOT ONE SO EASILY RESOLVED AS USG APPARENTLY HOPED. BONNEY RECITED HISTORICAL

FACTORS WHICH HAD GIVEN RISE TO TRANS-ATLANTIC RATE STRUCTURE CONSISTING OF VARIETY OF "ADD-ONS" AT EACH END OF THE BASIC NEW YORK-LONDON RATE. CAB PROPOSAL, HE SAID, WOULD BREAK SHARPLY FROM TRADITIONAL RATE FORMULA AND, HE OPINED, MIGHT COMPLICATE EVEN FURTHER AN ALREADY COMPLEX RATE STRUCTURE. HE SAID THIS WOULD VERY LIKELY BE THE CASE IF, AFTER ESTABLISHING THE PRECEDENT BY THE LIMITED OFFICIAL USE

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INSTANT CASE, OTHER US CITIES WERE TO INSIST UPON TREAT-

MENT SIMILAR TO THAT AFFORDED THE SEVEN US GATEWAYS. HE ALSO NOTED THE DIFFICULT PRO-RATING PROBLEM FOREIGN CARRIERS WOULD FACE VIS-A-VIS U. S. DOMESTICS. THIS PROBLEM WOULD BE PARTICULARLY SEVERE FOR FOREIGN AIRLINES WITH ONLY ONE OR TWO U.S. GATEWAYS.

2. BONNEY SAID CARGO RATE PROBLEM HAD BEEN DISCUSSED AT ECAC MEETING OF RATES SPECIALISTS LAST WEEK. CONSENSUS VIEW, ACCORDING TO BONNEY, WAS THAT ECAC MEMBER STATES SHOULD NOT APPROVE PANAM/TWA FILINGS BUT RATHER SHOULD THROW THE PROBLEM BACK INTO THE IATA MACHINERY AND ASK CARRIERS TO TRY TO COME UP WITH A RATE COMMITMENT THAT WILL SATISFY CAB.

3. FINANCIAL TIMES TODAY CARRIES AN ARTICLE REPORTING THE CARGO RATE PROBLEM. IT STATES THAT NORTH ATLANTIC CARRIERS HAVE ALREADY PUT INTO EFFECT FUEL SURCHARGE WHICH ON NORTH ATLANTIC IS BASED ON 4 PER CENT OF THE RATE FOR GENERAL CARGO CHARGED AT THE 45 KILO BREAKPOINT WHICH, BETWEEN NEW YORK AND LONDON, NOW STANDS AT \$2.40.

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